

CALENDAR ITEM

C13

A 8, 9, 11

S 5, 6, 7

12/14/06
PRC 5107 WP 5107.1
D. Jones.

GENERAL LEASE- RIGHT OF WAY USE

APPLICANT:

CPN Pipeline Company
60 River Road
Rio Vista, California 94571

AREA, LAND TYPE, AND LOCATION:

10.901 acres, more or less, of sovereign lands in Honker Bay, Suisun Bay, Roaring River Slough, Grizzley Slough, Montezuma Slough, and the Sacramento River, from the city of Martinez to the city of Sacramento; in Solano, Contra Costa, Sacramento, and Yolo counties.

AUTHORIZED USE:

Continued use and maintenance of six natural gas pipeline crossings which include: a 8.625-inch diameter welded steel pipeline located on the Sacramento River near River Mile 71.5; four existing 10.75-inch diameter welded steel pipeline crossings located at Montezuma Slough, Grizzly Slough, Roaring River, and Suisun/Honker Bay; and one abandoned 4-inch pipeline crossing the Sacramento River near River Mile 74.8; together with all valves and appurtenances related to the operation of the pipeline, including cathodic protection and facilities necessary and ancillary thereto. The above crossings are part of a larger 54-mile natural gas pipeline between Martinez and North of Sacramento.

LEASE TERM:

20 years, beginning April 1, 2007.

CONSIDERATION:

\$1,527 per year; with the State reserving the right to fix a different rent periodically during the lease term, as provided in the lease..

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SPECIFIC LEASE PROVISIONS:

Insurance:

Liability insurance coverage of no less than \$10,000,000.

Bond:

\$100,000.

OTHER PERTINENT INFORMATION:

1. Applicant has the right to use the uplands adjoining the lease premises.
2. On April 28, 1976, the Commission approved a General Lease – Right of Way Use, PRC 5107.1, to Shell Oil Company, effective April 1, 1976. On May 27, 1982, the Commission approved the assignment of the lease from Shell Oil Company to Shell California Productions, Inc., effective June 1, 1982. The Commission approved a new ten-year General Lease – Right of Way Use to Shell E & P Productions, Inc. on November 5, 1991, and subsequently approved assignment from Shell E & P, Inc. to Cal Resources, LLC, effective July 6, 1995. On December 16, 1995, the Commission approved the assignment of the lease to Aera Energy LLC, effective June 1, 1997.
3. On June 12, 2000, CPN Pipeline Company acquired the Sacramento River Gas System and Steelhead Pipeline and the associated pipeline crossings covered under Lease PRC 5107.1. The existing lease expired March 31, 2001. The lease has been in holdover and the rent is current.
4. This pipeline system has six crossing locations under the jurisdiction of the Commission. The northern-most pipeline crossing, in the Sacramento River at river mile 74.8, has been idled and filled with inert nitrogen gas; however, CPN has agreed to continue paying rent until this pipeline is removed from sovereign lands.
5. Portions of this pipeline system are considered a gathering system and therefore are not regulated. Portions are under the jurisdiction of the U.S. Department of Transportation (DOT), Office of Pipeline Safety; however, CPN maintains all portions of the pipeline in compliance with DOT regulations. All crossings are cathodically protected and maintained in compliance with DOT 49 CFR 192 regulating the transportation of natural gas. CPN has submitted a copy of their maintenance records and Spill Prevention Control Plan each of which Commission staff has reviewed.

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6. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (Title 14, California Code of Regulations, section 15061), the staff has determined that this activity is exempt from the requirements of the CEQA as a categorically exempt project. The project is exempt under Class 1, Existing Facilities; Title 14, California Code of Regulations, section 15301(b)

Authority: Public Resources Code section 21084 and Title 14, California Code of Regulations, section 15300.

7. This activity involves lands identified as possessing significant environmental values pursuant to Public Resources Code sections 6370, et seq. Based upon the staff's consultation with the persons nominating such lands and through the CEQA review process, it is the staff's opinion that the project, as proposed, is consistent with its use classification.

EXHIBIT:

- A. Location Map

RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDING:

FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15061 AS A CATEGORICALLY EXEMPT PROJECT, CLASS 1, EXISTING FACILITIES; TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15301(b).

SIGNIFICANT LANDS INVENTORY FINDING:

FIND THAT THIS ACTIVITY IS CONSISTENT WITH THE USE CLASSIFICATION DESIGNATED BY THE COMMISSION FOR THE LAND PURSUANT TO PUBLIC RESOURCES CODE SECTIONS 6370, ET SEQ.

AUTHORIZATION:

AUTHORIZE ISSUANCE TO CPN PIPELINE COMPANY OF A GENERAL LEASE – RIGHT OF WAY USE, BEGINNING APRIL 1, 2007, FOR A TERM OF 20 YEARS, FOR THE CONTINUED USE AND MAINTENANCE OF SIX NATURAL GAS PIPELINE CROSSINGS AS

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SHOWN ON EXHIBIT A ATTACHED AND BY THIS REFERENCE MADE
A PART HEREOF; ANNUAL RENT \$1,527; WITH THE STATE
RESERVING THE RIGHT TO FIX A DIFFERENT RENT PERIODICALLY
DURING THE LEASE TERM, AS PROVIDED IN THE LEASE. LIABILITY
INSURANCE COVERAGE OF NO LESS THAN \$10,000,000; AND
SURETY IN THE AMOUNT OF \$100,000.

